



KiwiSaver – Why not?

It usually happens not long into one of my KiwiSaver seminars, after I've said that practically every New Zealander under 65 – employed or not – can benefit from joining the retirement savings scheme.

"There's no way I'm going to join," someone will say. And they'll come up with any of a dozen or so different arguments. Here are those arguments, and my responses:

• **I don't want to commit to future contributions.**

If you are not an employee, you can simply stop contributing whenever you want to.

And if you are an employee, you commit to only one year of contributions – and you can even stop during that year if you get into financial problems or suffer serious illness.

After 12 months, any employee can take a contributions holiday for anything up to five years, and keep repeating that right through to NZ Super age if they wish.

Despite rumours to the contrary, Inland Revenue promises it will be easy to take contributions holidays, and that everyone is entitled to do it.

If you think about it, the government would send out the wrong message to people not yet in KiwiSaver if it made it hard for members to take holidays. It needs the scheme to stay flexible and attractive.

By the way, while on a contributions holiday you can still make regular or occasional contributions of any amount. You'll miss out on any compulsory employer contributions, but you'll still get tax credits.

• **I can't afford KiwiSaver.**

Non-employees can contribute as little as their provider agrees to, and there is at least one provider with a \$1 minimum contribution. Everyone can afford that – to get the \$1,000 kick-start from the government.

Employees have to contribute at least 4% of their total pay in their first year, but after that – as stated above – they can take contributions holidays.

Surely you can scrimp and save for just one year – perhaps taking a cheaper holiday and delaying spending on items like



clothes, cars, furniture and appliances.

If you have to, it would be worth your while to use up savings or add to your mortgage to get through the year and gain the benefits of KiwiSaver.

Another option is to take a small extra job and join KiwiSaver through that – paying 4% of that lower pay.

• **I'm too young.**

Even newborns can be signed up for KiwiSaver.

Until you're 18, you won't get tax credits from the government or compulsory employer contributions (assuming employer contributions become law, probably

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THE STORY SO FAR

In this issue of Holm Truths I'm assuming readers know the basics about KiwiSaver. Otherwise I will bore a lot of readers!

If you are not up with the rules and incentives, go to www.maryholm.com and click on the KiwiSaver book page. Or you could buy my little red \$9.99 book, "KiwiSaver: How to make it work for you". The website page includes extracts from the book, a list of contents, and book reviews.